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UNCLAS SANTO DOMINGO 003424

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SUBJECT: DOMINICAN GRUPO M SHUTTING DOWN MANUFACTURING
OPERATION IN HAITI

1. SUMMARY. Dominican apparel company, GRUPO M, is close to shutting down their apparel plant in Ouanaminthe, Haiti due to "Workers' Struggle," a group of activist employees who have made the plant inefficient and ineffective. GRUPO M President, Fernando Capellan, stated that the company plans to let go 200 employees this Friday, June 11, with another 500 on Monday, June 14. A total shut down of the plant could occur shortly thereafter. Capellan says that GRUPO M had received no assistance from either Haitian or Dominican authorities on the matter and that the company would be willing to reopen its operations if it gets the appropriate support. END SUMMARY.

2. In the fall of 2003, in a move that was hailed by many as a catalyst for more integration between the Dominican Republic and Haiti, Dominican apparel company GRUPO M began operations in the Haitian town of Ouanaminthe, which is located directly across the border from the Dominican town of Dajabon (a major trading area). Less than one year later, on June 9, local dailies have reported that GRUPO M is relocating their operation from Ouanaminthe in order to ensure the safety of its employees and comply with its contractual obligations. GRUPO M President Fernando Capellan says the main reason for the shutdown is the pressure the company has been receiving from a group of activists within the plant who call themselves "Batay Ouvriye" ("Workers' Struggle"). The group, led by a Ms. Yanneck Etienne, has been harranging other employees and making claims of worker exploitation over the last few months. Attempts by GRUPO M to discuss issues of concern with Ms. Etienne have been unsuccessful, Capellan said.

3. Capellan stated that the group has made normal plant operations impossible. As an example, Capellan explained, in February the plant assembled 30,000 pants with 400 employees but that last month the plant managed to only assemble 15,000 pants with 700 employees. The plant currently has 1,000 employees. As things stand, the company expects to lay off 200 workers and move out some sewing machines and textile equipment by Friday, June 11 with another 500 workers to go on Monday, June 14. The remaining employees will be phased out over the next few days until a total shutdown is achieved.

4. Capellan complained that the company had received no assistance on the matter from either Haitian or Dominican authorities. Since these activities have taken place on Haitian soil, the Embassy has been unable to assess the situation directly. Capellan indicates that he would be willing to reopen the apparel plant if working conditions improve, but the current situation is untenable.

5. COMMENT. GRUPO M's decision is a potential set back for trade and investment between the Dominican Republic and Haiti. The move also suggests that the cross-border subcontracting strategy may not be a viable approach for GRUPO M and other Dominican apparel companies seeking to improve competitiveness vis-a-vis China in preparation for the ending of quotas under the Multi-Fibre Agreement. GRUPO M's operation was the first attempt at co-production with Haiti. END COMMENT.

6. Port-au-Prince minimize considered.
HERTELL